GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:618
ANSWERED ON:09.07.2004
VALUE ADDED TAX
Kurup Adv. Suresh;Mandlik Shri Sadashivrao Dadoba;Mane Smt. Nivedita;Nair Shri P.K. Vasudevan;Tirath Smt. Krishna;Vijay Krishna Shri

Will the Minister of FINANCE be pleased to state:

(a) whether meeting of State Finance Ministers was held in Delhi on Value Added Tax (VAT);

(b) if so, the decision taken in the meeting;

(c) whether all the State Governments have agreed to implement the nation-wide Value Added Tax (VAT) regime from April 1, 2005;

(d) if so, the salient features of the regime;

(e) whether there is any commitment to examine possible losses to the States by the introduction of VAT; and

(f) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (S.S. PALANIMANICKAM)

(a), (b) & (c): Yes, Sir. A meeting of the Empowered Committee of State Finance Ministers was held on 18.6.2004. The broad consensus in the meeting was to implement VAT with effect from 1st April, 2005.

(d): Salient features of the VAT regime include multi-stage destination based taxation with input tax credits. It is a State-level tax allowing flexibility in legislative provisions with certain minimum agreed convergence parameters.

(e) & (f): The Central Government has already assured the States to compensate them on the basis of principles and levels of compensation to be decided in consultation with the Empowered Committee, in the event of loss of revenue as a result of introduction of VAT.